

ATTACHMENT III

R E S C A P

Residential Capital, LLC

FGIC Commutation Proposal Discussion Materials

May 15, 2013

DUFF & PHELPS

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Executive Summary

In late March, FGIC delivered a commutation proposal (“Proposal”) to the Steering Committee Group of RMBS Holders for ResCap sponsored trusts to provide a global resolution regarding the pending RMBS litigation. The Proposal from FGIC sets forth a lump sum cash consideration paid to the policyholders of the ResCap-related wrapped trusts in exchange for the ability to assert a general unsecured claim in the ResCap bankruptcy cases.

- On June 11, 2012, Benjamin Lawsky, Superintendent of Financial Services of the State of New York (the “Rehabilitator”), filed a rehabilitation petition on behalf of FGIC with the Supreme Court of the State of New York.
 - The Rehabilitator filed an initial Plan of Rehabilitation for FGIC on September 27, 2012 and filed the First Amended Plan of Rehabilitation on December 12, 2012.
 - In connection with the First Amended Plan of Rehabilitation, Lazard, as financial advisor to the New York Liquidation Bureau, submitted an affidavit which contained revised projections.
 - The Rehabilitator filed a revised First Amended Plan of Rehabilitation for FGIC on April 12, 2013 (the “Plan”) which is expected to be heard on June 11, 2013.
- Based on the current Plan, holders of permitted policy claims (“Policyholders”) would receive (i) an upfront Cash Payment in an amount equal to a specified cash payout percentage upon the initial incurrence of the policy claim and (ii) additional catch-up payments through a ratable payout mechanism as set forth in the Plan.
 - In the revised Base Scenario, the Policyholders would receive an initial recovery of ~17.25% and then a subsequent distribution of up to 28.5% on their claim (based on a net present value of the distributions discounted at an illustrative rate of 15%).
- In connection with the Plan, FGIC presented the Proposal to the Steering Committee Group of RMBS Holders for ResCap trusts in late March.
 - The Proposal provides a cash payout from FGIC of approximately **\$253 million** to the ResCap-related RMBS Policyholders in exchange for FGIC to have the right to assert a **~\$597 million claim** in the ResCap case.

Executive Summary (cont'd)

Based on D&P's loss estimates of the wrapped portion of the ResCap-sponsored RMBS trusts, the cash commutation proposal provided by FGIC is within the range of expected payments under the Plan of Rehabilitation on discounted cash flow basis.

	FGIC Settlement Proposal	FGIC Plan	
Considerations (<i>Benefits and Risks</i>)	<ul style="list-style-type: none"> RMBS Policyholders would receive approximately \$253 million upon plan confirmation (on or around December 2013). Benefit: Provides a global resolution on outstanding ResCap RMBS litigation issues. Benefit: One-time cash payment made to ResCap RMBS Policyholders upon plan confirmation. Benefit: ResCap RMBS Trusts will not need to pay future premiums. Risk: Potential risk of relinquished upside economics in the event that the Base Scenario under the Plan is met and correspondingly exceeded. 	<ul style="list-style-type: none"> RMBS Policyholders would receive approximately \$150 million upon plan confirmation (on or around December 2013); remainder of the payments will be made over 40 years. Benefit / Risk: RMBS Policyholders bear the exposure to upside opportunity (benefit) and downside (risk) related to size of actual claim pool(s) and cash flows. Risk: A significant portion of cash distributions from Deferred Payout Obligations and other true-up payments are significantly back-ended, although a majority of the claims are expected to arise in the first five years (>70%). Risk: Outstanding ResCap RMBS litigation issues would need to be resolved separately. Risk: Recoveries are based on stale financial projections and claim estimates; updated estimates have not yet been provided. 	
Cash Payments (NPV for the Plan)	\$253 million	Base Scenario	Stress Scenario
Duff & Phelps' Recommendation	X	<i>Settlement Proposal is within the range of reasonableness under either scenario(s). Distributions are subject to additional unforeseen risks not identified above.</i>	

a) Range reflects 10% to 20% discount rate applied to the projected payouts.

b) Reflects 17-18% recovery on D&P's low and high loss estimates.

Note: D&P has not estimated projected losses that correspond to the underlying macro assumptions as assumed under the Stress Scenario (per the Lazard Affidavit).

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FGIC Settlement Proposal

FGIC Settlement Proposal – Commutation and Claim

(\$ in millions)

The Proposal outlines a cash payment of approximately \$253 million by FGIC upon emergence in exchange for the ability for FGIC to assert approximately \$597 million of allowed claims at Rescap.

- The following Proposal is based on the following three main assumptions:
 - **[A]** Initial Cash Payment Percentage of 17.25% (based on the updated Stress Scenario pursuant to the Plan),
 - **[B]** Base Case Payout to policyholders of 28.5% (based on the updated Base scenario pursuant to the Plan assuming a 15% discount rate), and
 - **[J]** Haircut of 40% on unpaid payout claim estimates.
- In consideration for the cash commutation payment of approximately \$253 million, FGIC in return would receive a claim in the Rescap case for the sum of the (i) payouts made to date related to the RFC- and GMACM-sponsored trusts and (ii) the cash commutation.

Information Points

Initial Cash Payment Percentage (CPP)	17.25% [A]
Base Case Payout (NPV @ 15.0%)	28.50% [B]

ResCap Sponsored RMBS Claim (Per FGIC)	\$1,850.0
Less: Cost, Interest, etc.	(236.0)
Total Projected Claims in POC	1,614.0
Claims Paid to Date	344.0 [C]
Estimated Unpaid Claims	1,270.0
Accrued and Unpaid ("A&U") Claims (as of 3/31/13)	789.0 [D]
Future Estimated Claims	\$481.0 [E]

Commutation Consideration

Claims - A&U - Cash at Initial CPP	\$136.1 [F] = [A] x [D]
Claims - A&U - Base Case Payout less Initial CPP	\$88.8 [G] = [B] x [D] - [F]
Claims - Future Estimated Claims at Base Case Payout	137.1 [H] = [B] x [E]
Subtotal	\$225.8 [I] = [G] + [H]

Factor % of Unpaid Payout

Value Attributable to Estimated Unpaid Claims	60.0% [J]
	\$135.5 [K] = [I] x [J]

Total Value to Trusts	\$271.6 [L] = [F] + [K]
Less: Premiums waived by FGIC and retained by Trusts	18.3 [M]
Cash Commutation paid by FGIC	\$253.3 [N] = [L] - [M]

FGIC Allowed Claims

Prior Claims Paid	\$344.0 [C]
Cash Commutation	253.3 [N]
Amount of FGIC Allowed Claim	\$597.3 [C] + [N]

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Plan of Rehabilitation

FGIC Plan of Rehabilitation – Summary

The current Plan of Rehabilitation provides all of the value of FGIC, after the payment of certain administrative expenses and other costs, to be ratably distributed to the all of FGIC's Policyholders in a fair and equitable manner.

- Per Lazard's Affidavit filed on December 12, 2012, the Policyholders are projected to receive a recovery of approximately 27-30% in the Base Scenario and 17-18% in the Stress Scenario (assuming a discount rate of approximately 10-20% on the distributions).
- The Policyholders would receive: **(1)** an initial cash payout percentage ("CPP") of 17.25% on accrued but unpaid claims on the effective date, **(2)** an updated initial CPP on future claims as they arise, **(3)** true-up payments for any upward changes in the CPP, and **(4)** pro rata distribution of excess cash after accounting for appropriate reserves.
 - The Policyholders would receive distributions on an annual basis based on the updated Base and Stress Scenarios or if there an significant cash inflow event as further outlined in the Plan.

	Base Scenario	Stress Scenario
Summary	<ul style="list-style-type: none"> ▪ FGIC's current expectation of future Claims, investment performance, recoveries, financial markets and other factors of relevance to CPP Revaluations based on circumstances, events and projections that FGIC anticipates are reasonably likely to occur. 	<ul style="list-style-type: none"> ▪ Non-catastrophic scenario envisioning a severe economic recession that is accompanied by: <ul style="list-style-type: none"> – (i) sharp declines in home prices and the financial markets (e.g., approximately 30% decrease from peak home values), – (ii) significant unemployment (e.g., approximately 5% increase in unemployment rates), – (iii) high mortgage default rates, and – (iv) other negative economic indicators of potential relevance to FGIC's insured exposures.
Notional Claims	\$6.3 billion	\$11.7 billion
Total Payments	\$2.8 billion	\$2.6 billion
Initial CPP	17.25%	17.25%
Nominal Recovery	45%	23%
10% Discount Rate	30%	18%
15% Discount Rate	28.5%	17%
20% Discount Rate	27%	17%

FGIC Plan of Rehabilitation – Base vs. Stress Scenario

(\$ in millions)

FGIC's total notional claims estimates is approximately \$6.3 billion in the base case and \$11.7 billion in the stress case.

- Based on D&P loss estimates of approximately \$1.2 billion to \$1.5 billion, the Policyholders for the ResCap-sponsored RMBS trusts may potentially represent 10% to 24% of the overall pool.
- A majority of the claims for the Policyholders of Rescap-sponsored RMBS trusts are expected to arise within the next 5 years.

	2012	'13 - '17	'18 - '22	'23 - '27	'28 - '32	'33 - '37	38 - '42	'43 - '47	'48 - '52	Total	
BASE SCENARIO											
All FGIC Policyholders (Lazard Affidavit)	Notional Claims - All <i>Ending CPP</i> Total Payments	\$2,133 17% (\$368)	\$1,655 23% (\$516)	\$585 26% (\$297)	\$229 29% (\$197)	\$160 31% (\$195)	\$948 34% (\$536)	\$600 37% (\$498)	\$6 37% (\$2)	-- 39% (\$227)	\$6,316 (\$2,840)
STRESS SCENARIO											
All FGIC Policyholders (Lazard Affidavit)	Notional Claims - All <i>Ending CPP</i> Total Payments	\$2,399 17% (\$414)	\$3,874 17% (\$668)	\$1,247 17% (\$215)	\$675 17% (\$116)	\$637 17% (\$110)	\$1,696 17% (\$293)	\$1,130 17% (\$195)	\$12 17% (\$2)	-- 20% (\$629)	\$11,670 (\$2,642)
VARIANCE											
All FGIC Policyholders (Lazard Affidavit)	Notional Claims - All <i>Ending CPP</i> Total Payments	\$266 (0%) (\$46)	\$2,219 (6%) (\$152)	\$662 (9%) \$82	\$446 (11%) \$81	\$477 (13%) \$85	\$748 (16%) \$243	\$530 (19%) \$303	\$6 (19%) --	-- (18%) (\$402)	\$5,354 \$198
LOW CASE											
Claims for Policyholders of ResCap-Related RMBS Trusts (Per D&P's Estimates)	Notional Claims - ResCap <i>% Cumulative</i> <i>% of Total Notional Claims</i> Base Case Stress Case ^(a)	\$753 65% 35% 31%	\$173 80% 10% 4%	\$69 86% 12% 6%	\$53 90% 23% 8%	\$74 97% 46% 12%	\$40 100% 4% 2%	(\$0) 100% NM NM	(\$0) 100% NM NM	\$0 100% NM NM	\$1,162 100% 18% 10%
HIGH CASE											
Claims for Policyholders of ResCap-Related RMBS Trusts (Per D&P's Estimates)	Notional Claims - ResCap <i>% Cumulative</i> <i>% of Total Notional Claims</i> Base Case Stress Case ^(a)	\$753 49% 35% 31%	\$386 74% 23% 10%	\$124 82% 21% 10%	\$115 89% 50% 17%	\$110 96% 69% 17%	\$59 100% 6% 3%	\$0 100% 0% 0%	(\$0) 100% NM NM	\$0 100% NM NM	\$1,546 100% 24% 13%

(a) D&P has not estimated projected losses that reflect the same underlying macro assumptions as the Stress Scenario included in the Affidavit.

FGIC Plan of Rehabilitation – ResCap Trust Policyholders

(\$ in millions)

Under the Base Scenario, the ResCap-Sponsored RMBS Trust Policyholders may receive approximately \$220-\$340 million on a net present value basis.

Plan of Rehabilitation – Base Scenario

	Initial	'14 - '17	'18-'52	Total Recovery		Notes	
				Recovery % Based on:			
				% <u>Notional</u>	% <u>Discounted</u>		
LOW CASE							
Notional Claims - ResCap	\$814	\$112	\$236	\$1,162		[A]	
<u>Nominal Cash Flow</u>							
Initial CPP Payments	\$150	\$23	\$67	\$240			
Catch-Up CPP Payments	--	40	164	204			
Subtotal	150	63	231	444			
Portion of DPO Accretion Payout	--	4	70	74			
Total Payout	\$150	\$67	\$301	\$518	45%		
<u>Discounted Cash Flows</u>							
10%	\$150	\$53	\$65	\$268		[C]	
15%	150	48	38	235			
20%	150	43	24	217			
HIGH CASE							
Notional Claims - ResCap	\$888	\$251	\$408	\$1,546		[A]	
<u>Nominal Cash Flow</u>							
Initial CPP Payments	\$163	\$52	\$114	\$330			
Catch-Up CPP Payments	--	46	214	261			
Subtotal	163	99	328	590			
Portion of DPO Accretion Payout	--	5	89	94			
Total Payout	\$163	\$103	\$418	\$684	44%		
<u>Discounted Cash Flows</u>							
10%	\$163	\$82	\$93	\$339		[C]	
15%	163	74	54	292			
20%	163	68	35	266			

Note: Assumes emergence occurs at the end of 2013.

[A] A majority of the notional claims for the ResCap RMBS Trust Policyholders are presented within the first 5 years post-emergence in both the low and high cases.

[B] However, the nominal cash flows to the Policyholders are mostly back-ended due to the true-up payments related to the projected CPP increases and the payments on account of the DPO accretion.

[C] When applying a 10-20% discount rate to the recovery cash flow stream, the illustrative recovery estimates are approximately \$220-\$340 million which implies a recovery rate of approximately 17-23% based on the notional claim amount and 24-28% based on the discounted claim amount.